

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>CITY OF CEDAR SPRINGS</b>	County <b>KENT</b>
Audit Date <b>6/30/05</b>	Opinion Date <b>7/22/05</b>	Date Accountant Report Submitted to State: <b>12/13/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

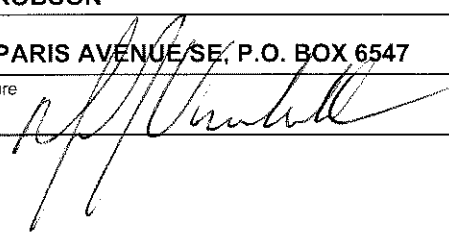
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>REHMANN ROBSON</b>			
Street Address <b>2330 EAST PARIS AVENUE/SE, P.O. BOX 6547</b>		City <b>GRAND RAPIDS</b>	State <b>MI</b>
		ZIP <b>49516-6547</b>	
Accountant Signature 			Date <b>12/14/05</b>



***CITY OF CEDAR SPRINGS***  
***CEDAR SPRINGS, MICHIGAN***

***FINANCIAL STATEMENTS***

***FOR THE YEAR ENDED JUNE 30, 2005***

# CITY OF CEDAR SPRINGS

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# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP

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## INDEPENDENT AUDITORS' REPORT

July 22, 2005

Honorable Mayor and  
Members of the City Council  
City of Cedar Springs, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Cedar Springs, Michigan (the "City"), as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Cedar Springs, Michigan. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented components units, each major fund, and the aggregate remaining fund information of the City of Cedar Springs, Michigan as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 22, 2005 on our consideration of the City of Cedar Springs's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-12 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cedar Springs' basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the City of Cedar Springs basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of basic financial statements and, in our opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Lohman". The signature is written in a cursive style with a large, stylized 'L' at the beginning.

## Management's Discussion and Analysis

As management of the City of Cedar Springs, we offer readers of the City of Cedar Spring's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

### Financial Highlights

- Created Refuse Fund and Public Works Construction Project Fund
- Called West Side Special Assessment and General Obligation Bonds totaling \$200,000
- Installed cash receipting and miscellaneous receivables software
- Completed Municipal Building Complex Future analysis
- Received \$53,000 FEMA Grant

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Cedar Spring's financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Cedar Springs that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government administration, police and fire services, public works including major and local street maintenance and recreation and cultural activities. The business-type activities of the City include sewer and water services.

The government-wide financial statements include not only the City of Cedar Springs itself (known as the *primary government*), but also a legally separate Downtown Development Authority and Local Development Finance Authority for which the City is financially accountable. Financial information for these *component units* are reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 13-15 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Cedar Springs, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, capital projects, and debt service funds, each of which are considered to be major funds. Data from the other eight governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 16-20 of this report.

**Proprietary funds.** The City of Cedar Springs maintains three proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Cedar Springs uses enterprise funds to account for its sewer and water operations. *Internal service funds* are an accounting device used to accumulate and allocate costs of its motor vehicle and equipment usage internally among the City's various functions. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sewer and water operation, of which both are considered to be major funds of the City of Cedar Springs.

The basic proprietary fund financial statements can be found on pages 21-23 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 24 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-37 of this report.



**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This is limited to this management discussion and analysis.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 40-52 of this report.

### Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Cedar Springs, assets exceeded liabilities by \$8,141,221 at the close of the most recent fiscal year.

A portion of the City's net assets reflects unrestricted net assets which are available for future operation while a significant portion of net assets is invested in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

#### City of Cedar Springs Net Assets

	<u>Governmental</u> <u>activities</u>		<u>Business-type</u> <u>activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Current and other assets	\$1,884,540	\$2,112,536	\$ 1,103,918	\$ 914,158	\$ 2,988,458	\$ 3,226,694
Capital assets	2,666,969	2,354,764	8,982,517	9,337,240	11,649,486	11,492,004
Total assets	4,551,509	4,467,300	10,086,435	10,251,398	14,637,944	14,718,698
Long-term liabilities outstanding	2,214,432	2,414,592	3,957,000	4,031,000	6,171,432	6,445,592
Other liabilities	179,442	154,306	145,849	161,891	325,291	316,197
Total liabilities	2,393,874	2,568,898	4,102,849	4,192,891	6,496,723	6,761,788
Net assets:						
Invested in capital assets, net						
of related debt	427,209	(101,240)	4,951,517	5,035,240	5,378,726	4,900,667
Restricted	869,013	912,499	-	-	869,013	912,499
Unrestricted	861,413	1,088,185	1,032,069	1,023,266	1,893,482	2,111,451
<b>Total net assets</b>	<b>\$2,157,635</b>	<b>\$1,899,444</b>	<b>\$ 5,983,586</b>	<b>\$ 6,058,506</b>	<b>\$ 8,141,221</b>	<b>\$ 7,957,950</b>

Net assets of the City increased by \$183,271. The business-type activities decrease in net assets of \$74,920 was primarily due to a transfer of funds to various funds. The governmental activities increase in net assets of \$258,191 is the result of increases in charges for services provided by the City.

### City of Cedar Springs Changes in Net Assets

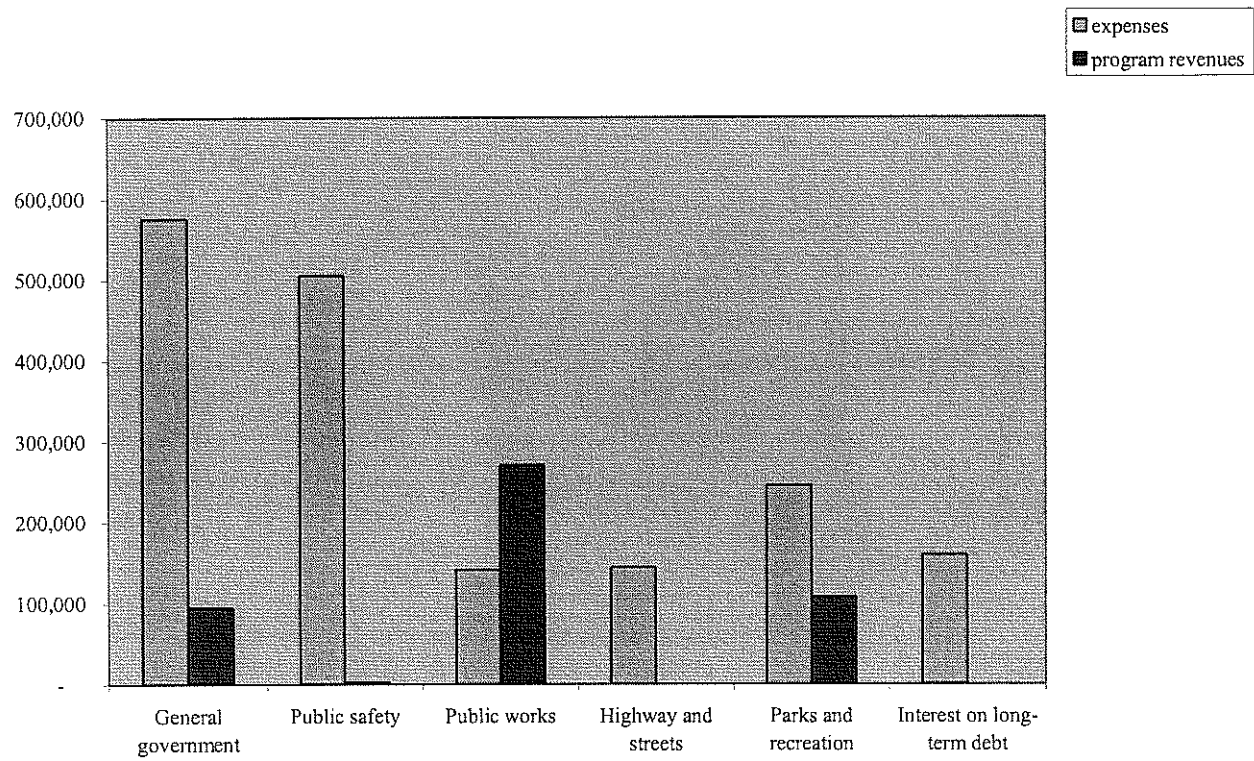
	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Revenue:						
Program revenue:						
Charges for services	\$ 485,562	\$ 421,986	\$1,046,965	\$ 941,862	\$1,532,527	\$1,363,848
Operating grants and contributions	35,820	60,758	-	-	35,820	60,758
Capital grants and contributions	20,797	18,632	-	-	20,797	18,632
	<u>542,179</u>	<u>501,376</u>	<u>1,046,965</u>	<u>941,862</u>	<u>1,589,144</u>	<u>1,443,238</u>
General revenue:						
Property taxes	1,017,769	1,049,264	-	-	1,017,769	1,049,264
Other governmental sources	369,596	396,636	-	-	369,596	396,636
Other	56,706	35,375	14,684	9,413	71,390	44,788
Total revenue	<u>1,986,250</u>	<u>1,982,650</u>	<u>1,061,649</u>	<u>951,275</u>	<u>3,047,899</u>	<u>2,933,925</u>
Expenses:						
General government	582,580	630,953	-	-	582,580	630,953
Public safety	607,521	510,818	-	-	607,521	510,818
Public works	292,495	141,614	-	-	292,495	141,614
Highway and streets	146,797	144,854	-	-	146,797	144,854
Recreation and cultural	196,537	245,709	-	-	196,537	245,709
Interest on long-term debt	83,681	99,216	-	-	83,681	99,216
Sewer	-	-	291,045	638,693	291,045	638,693
Water	-	-	663,972	325,019	663,972	325,019
Total expenses	<u>1,909,611</u>	<u>1,773,164</u>	<u>955,017</u>	<u>963,712</u>	<u>2,864,628</u>	<u>2,736,876</u>
Increase (decrease) in net assets before transfers	76,639	209,486	106,632	(12,437)	183,271	197,049
Transfers	<u>181,552</u>	<u>(53,415)</u>	<u>(181,552)</u>	<u>53,415</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	258,191	156,071	(74,920)	40,978	183,271	197,049
Net assets - beginning of year	<u>1,899,444</u>	<u>1,743,373</u>	<u>6,058,506</u>	<u>6,017,528</u>	<u>7,957,950</u>	<u>7,760,901</u>
Net assets - end of year	<u><u>\$2,157,635</u></u>	<u><u>\$1,899,444</u></u>	<u><u>\$5,983,586</u></u>	<u><u>\$6,058,506</u></u>	<u><u>\$8,141,221</u></u>	<u><u>\$7,957,950</u></u>

#### Governmental activities

During the year, the City continued its emphasis in public safety by investing \$607,521 or 32% of governmental activities expenses. Public works was 15% of governmental activities expenses while general government, public works, highway and streets and interest on long-term debt made up the remaining 53% of governmental activities expenses.

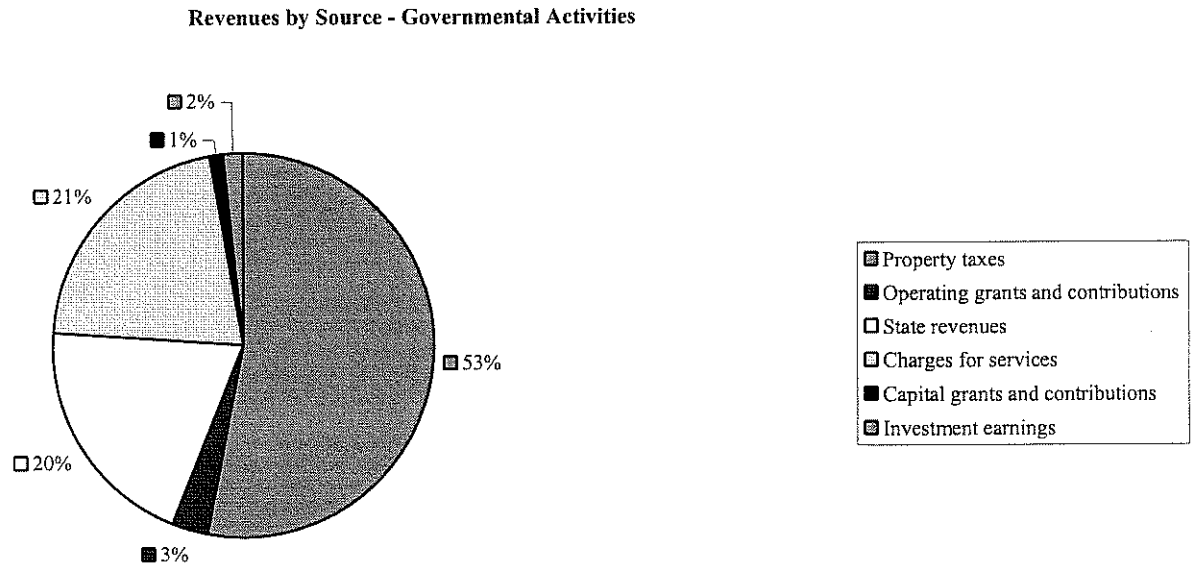
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## Expenses and Program Revenues - Governmental Activities



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## Revenues by Source - Governmental Activities



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**Business-type activities.** Business-type activities decreased the City's net assets by \$74,920. By comparison, business-type activities reported an increase in net assets the previous fiscal year of approximately \$40,978. Key elements of this decrease are as follows:

- Charges for services for business-type activities increased by 11 percent, or roughly \$105,000, compared to the prior year. This is a result of increased usage (i.e., volume) for the water and sewer system.
  - In current year, the transfers to other funds totaled \$181,552, which was primarily used to fund capital projects.
-

## Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,571,223, a decrease of \$180,403 in comparison with the prior year. Approximately 99 percent of this total amount (\$1,556,223) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed for a Christmas tree fund.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$477,105, while total fund balance was \$492,105. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 33 percent of total general fund expenditures.

The fund balance of the City's general fund increased by \$23,593 during the current fiscal year. This is primarily attributable to increases in chargeable services.

The capital projects fund increased \$159,793 due to transfers from other funds which exceeded the current capital expenditures.

The debt service fund decreased by \$108,528 due to calling and re-paying bonds.

**Proprietary funds.** The City's proprietary funds provide the same type of information found in the government wide financial statements, but in more detail.

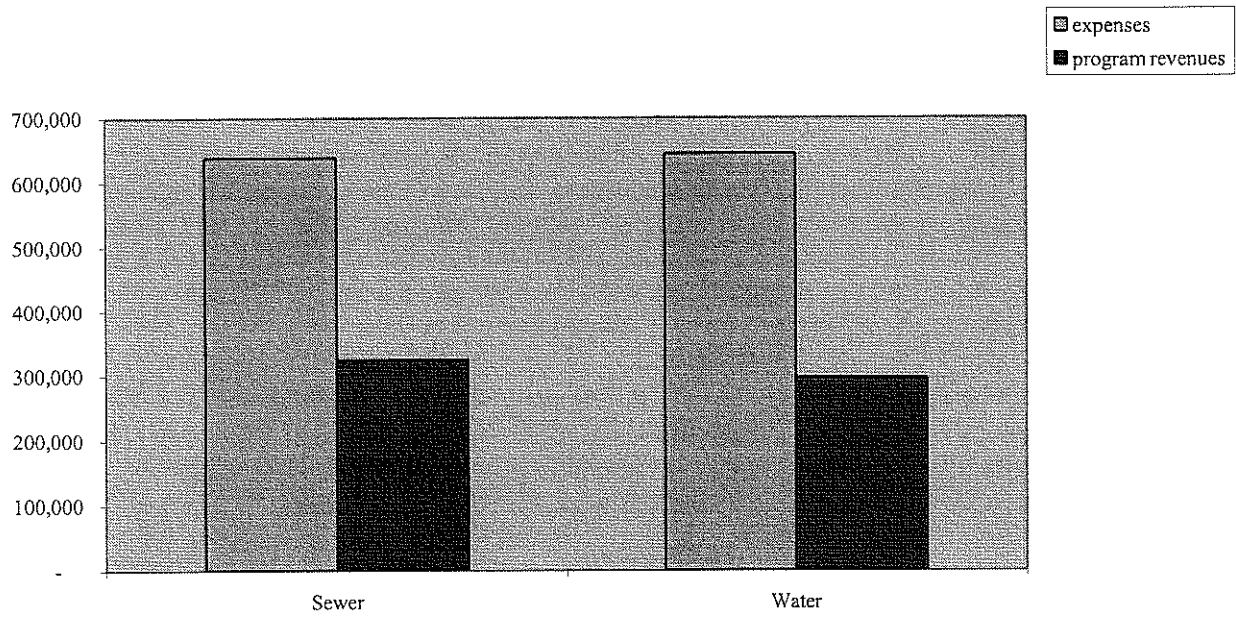
Unrestricted net assets of the sewer and water funds at the end of the year amounted to \$513,514 and \$418,210, respectively. The sewer fund had a decrease in net assets for the year of \$3,462, whereas the water fund had a decrease of \$71,458. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities.

## General Fund Budgetary Highlights

Differences between the original and final amended budgets for expenditures were relatively minor for the year.

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## Expenses and Program Revenues - Business-type Activities



## Capital Asset and Debt Administration

**Capital assets.** The City's investment in capital assets for its governmental and business type activities as of June 30, 2005, amounted to \$11,649,486 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, and infrastructure. Capital assets for the City's governmental activities increased 13%. Capital assets in the business-type activities decreased 2% in the current year.

Major capital asset events during the current fiscal year included the following:

- New Plow Truck
- New 1 Ton Dump Truck

### City of Cedar Springs Capital Assets (net of depreciation)

	<u>Governmental</u> <u>activities</u>		<u>Business-type</u> <u>activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Land	\$ 153,614	\$ 153,614	\$ -	\$ -	\$ 153,614	\$ 153,614
Infrastructure	2,195,712	1,905,489	-	-	2,195,712	1,905,489
Buildings and system improvements	79,981	84,383	8,982,517	9,137,240	9,062,498	9,221,623
Vehicles and equipment	237,662	211,278	-	-	237,662	211,228
<b>Total</b>	<b>\$ 2,666,969</b>	<b>\$ 2,354,764</b>	<b>\$ 8,982,517</b>	<b>\$ 9,137,240</b>	<b>\$ 11,649,486</b>	<b>\$ 11,492,004</b>

Additional information on the City of Cedar Springs capital assets can be found in Note 3 on page 32 of this report.

**Long-term debt.** At the end of the current fiscal year, the City and its component units had total debt outstanding of \$6,371,884. Of this amount, \$4,031,000 was debt of business-type activities and \$2,270,884 was debt of governmental activities. The component units debt outstanding totaled \$70,000.

### General Obligation and Revenue Bonds

	<u>Governmental</u> <u>activities</u>		<u>Business-type</u> <u>activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Accrued employee benefits	\$ 31,124	\$ 33,334	\$ -	\$ -	\$ 31,124	\$ 33,334
Notes	9,760	16,004	-	-	9,760	16,004
Bonds	2,230,000	2,440,000	4,031,000	4,102,000	6,261,000	6,542,000
<b>Total</b>	<b>\$ 2,270,884</b>	<b>\$ 2,489,338</b>	<b>\$ 4,031,000</b>	<b>\$ 4,102,000</b>	<b>\$ 6,301,884</b>	<b>\$ 6,591,338</b>

The City's total debt decreased by \$289,454 (4.4 percent) during the current fiscal year.

The City is currently not rated for general obligation bond issuance.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the City is \$6,500,225, which is considerably in excess of the City's outstanding general obligation debt of \$2,230,000.

Additional information on the City's long-term debt can be found in Note 7 on pages 34-36 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

The following factors were considered in preparing the City's budget for the 2005-06 fiscal year:

- Increased non-union employee wages cost of 3%.
- Increased health insurance cost of 17%.
- Increased property tax revenue of 6%.
- Decrease of approximately \$34,000 in state revenue sharing programs.
- Community Building will be closed permanently.

### **Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 66 South Main Street, Cedar Springs, Michigan, 49319.



**CITY OF CEDAR SPRINGS**

**STATEMENT OF NET ASSETS**

**JUNE 30, 2005**

	PRIMARY GOVERNMENT			COMPONENT UNITS	
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	DOWNTOWN DEVELOPMENT AUTHORITY	LOCAL DEVELOPMENT FINANCE AUTHORITY
<b>Assets</b>					
Cash and cash equivalents	\$ 1,702,915	\$ 712,909	\$ 2,415,824	\$ 23,412	\$ 221,740
Accounts receivable	94,191	126,356	220,547	-	-
Special assessment receivable	50,125	-	50,125	-	-
Due from other governmental units	14,840	-	14,840	-	-
Prepaid items and other assets	22,469	4,653	27,122	-	-
Capital assets					
Land	153,614	-	153,614	35,901	-
Other capital assets - net of depreciation	2,513,355	8,982,517	11,495,872	-	-
Restricted investments	-	260,000	260,000	-	-
<b>Total assets</b>	<b>4,551,509</b>	<b>10,086,435</b>	<b>14,637,944</b>	<b>59,313</b>	<b>221,740</b>
<b>Liabilities</b>					
Accounts payable and accrued expenses	87,208	9,994	97,202	-	-
Accrued interest	22,705	61,855	84,560	823	-
Unearned revenue	13,077	-	13,077	-	-
Noncurrent liabilities:					
Due within one year	56,452	74,000	130,452	70,000	-
Due in more than one year	2,214,432	3,957,000	6,171,432	-	-
<b>Total liabilities</b>	<b>2,393,874</b>	<b>4,102,849</b>	<b>6,496,723</b>	<b>70,823</b>	<b>-</b>
<b>Net assets</b>					
Invested in capital assets, net of related debt	427,209	4,951,517	5,378,726	(34,099)	-
Restricted for:					
Major Street	266,616	-	266,616	-	-
Local Street	287,929	-	287,929	-	-
Library	57,302	-	57,302	-	-
Sidewalk	9,070	-	9,070	-	-
Federal Community Development	88,646	-	88,646	-	-
Perpetual care					
Nonexpendable	10,000	-	10,000	-	-
Expendable	134,450	-	134,450	-	-
Other purposes	15,000	-	15,000	-	-
Unrestricted	861,413	1,032,069	1,893,482	22,589	221,740
<b>Total net assets (deficit)</b>	<b>\$ 2,157,635</b>	<b>\$ 5,983,586</b>	<b>\$ 8,141,221</b>	<b>\$ (11,510)</b>	<b>\$ 221,740</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF CEDAR SPRINGS**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2005**

Functions / Programs	EXPENSES	PROGRAM REVENUES		NET (EXPENSE REVENUE)
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	
<b>Primary government</b>				
Governmental activities:				
General government	\$ 586,680	\$ 85,306	\$ -	\$ -
Public safety	607,521	27,044	-	-
Public works	292,495	337,483	-	-
Highways and streets	142,697	-	-	-
Recreation and culture	196,537	35,729	35,820	20,797
Interest expense	83,681	-	-	-
Total governmental activities	<u>1,909,611</u>	<u>485,562</u>	<u>35,820</u>	<u>20,797</u>
Business-type activities:				
Water	291,045	304,242	-	-
Sewer	663,972	742,723	-	-
Total business-type activities	<u>955,017</u>	<u>1,046,965</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 2,864,628</u>	<u>\$ 1,532,527</u>	<u>\$ 35,820</u>	<u>\$ 20,797</u>
Component Unit activities:				
Downtown Development Authority	\$ 42,028	\$ -	\$ -	\$ -
Local Development Finance Authority	31,104	-	-	-
Total component units	<u>\$ 73,132</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

The accompanying notes are an integral part of these financial statements.

CITY OF CEDAR SPRINGS  
STATEMENT OF ACTIVITIES (CONCLUDED)  
FOR THE YEAR ENDED JUNE 30, 2005

	PRIMARY GOVERNMENT			COMPONENT UNITS	
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	DOWNTOWN DEVELOPMENT AUTHORITY	LOCAL FINANCE DEVELOPMENT AUTHORITY
<b>Changes in net assets</b>					
Net (expense) revenue	\$ (1,367,432)	\$ 91,948	\$ (1,275,484)	\$ (42,028)	\$ (31,104)
General revenues:					
Property taxes	1,017,769	-	1,017,769	113,202	30,732
State revenues	369,596	-	369,596	-	-
Interest and rental earnings	56,706	14,684	71,390	829	3,842
Transfers - internal activities	181,552	(181,552)	-	-	-
Total general revenues and transfers	1,625,623	(166,868)	1,458,755	114,031	34,574
Change in net assets	258,191	(74,920)	183,271	72,003	3,470
Net assets (deficit), beginning of year	1,899,444	6,058,506	7,957,950	(83,513)	218,270
<b>Net assets (deficit), end of year</b>	<u>\$ 2,157,635</u>	<u>\$ 5,983,586</u>	<u>\$ 8,141,221</u>	<u>\$ (11,510)</u>	<u>\$ 221,740</u>

(Concluded)

The accompanying notes are an integral part of these financial statements.

# CITY OF CEDAR SPRINGS

## BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2005

	GENERAL	CAPITAL PROJECTS	DEBT SERVICE	OTHER GOVERNMENTAL FUNDS	TOTAL
<u>ASSETS</u>					
Cash and cash equivalents	\$ 456,273	\$ 179,854	\$ 24,740	\$ 879,094	\$ 1,539,961
Receivables:					
Accounts	76,121	553	-	17,517	94,191
Special assessments	-	-	46,232	3,893	50,125
Due from other governmental units	-	-	-	14,840	14,840
Prepaid items	17,140	-	-	3,983	21,123
<u>TOTAL ASSETS</u>	<u>\$ 549,534</u>	<u>\$ 180,407</u>	<u>\$ 70,972</u>	<u>\$ 919,327</u>	<u>\$ 1,720,240</u>
<u>LIABILITIES AND FUND EQUITY</u>					
<u>LIABILITIES</u>					
Accounts payable	\$ 57,429	\$ 20,614	\$ -	\$ 7,772	\$ 85,815
Deferred revenue	-	-	46,232	16,970	63,202
<u>TOTAL LIABILITIES</u>	<u>57,429</u>	<u>20,614</u>	<u>46,232</u>	<u>24,742</u>	<u>149,017</u>
<u>FUND EQUITY</u>					
Fund balance:					
Reserved for christmas trees	15,000	-	-	-	15,000
Unreserved - undesignated	477,105	159,793	24,740	25,111	686,749
Undesignated, reported in nonmajor					
Special revenue funds	-	-	-	725,024	725,024
Permanent funds	-	-	-	144,450	144,450
<u>TOTAL FUND EQUITY</u>	<u>492,105</u>	<u>159,793</u>	<u>24,740</u>	<u>894,585</u>	<u>1,571,223</u>
<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>\$ 549,534</u>	<u>\$ 180,407</u>	<u>\$ 70,972</u>	<u>\$ 919,327</u>	<u>\$ 1,720,240</u>

The accompanying notes are an integral part of these financial statements.

## CITY OF CEDAR SPRINGS

### RECONCILIATION OF THE FUND BALANCES ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO THE NET ASSETS OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS

JUNE 30, 2005

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Fund balances- total governmental funds	\$ 1,571,223
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Add- land	153,614
Add- capital assets net of depreciation	2,513,355
Certain liabilities, such as bond payable, are not due and payable in the current period and therefore are not reported in the funds.	
Deduct- bonds payable	(2,239,760)
Deduct- accrued interest	(22,705)
Deduct- compensated absences	(31,124)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities	
Add- Internal service fund net assets	309,106
Deduct- Capital assets accounted for in internal service funds, net of accumulated depreciation	(146,199)
Certain assets, such as special assessments receivable are not due and receivable in the current period and therefore are offset with deferred revenue in the fund statement	
Add- deferred revenue for special assessments	<u>50,125</u>
Net assets of governmental activities	<u><u>\$ 2,157,635</u></u>

The accompanying notes are an integral part of these financial statements.

**CITY OF CEDAR SPRINGS**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2005**

	GENERAL	CAPITAL PROJECTS	DEBT SERVICE	OTHER GOVERNMENTAL FUNDS	TOTAL
REVENUES					
Taxes	\$ 945,621	\$ -	\$ -	\$ 56,848	\$ 1,002,469
Special assessments	-	-	30,555	5,099	35,654
Licenses and permits	23,518	-	-	-	23,518
Intergovernmental revenue:					
Federal	52,938	-	-	-	52,938
State	309,900	-	-	203,849	513,749
Local	-	15,222	-	35,820	51,042
Charges for services	81,599	-	-	13,274	94,873
Fines and forfeits	9,493	-	-	-	9,493
Interest and rentals	34,575	4,772	417	14,512	54,276
Other	13,011	-	-	85,620	98,631
<b>TOTAL REVENUES</b>	<b>1,470,655</b>	<b>19,994</b>	<b>30,972</b>	<b>415,022</b>	<b>1,936,643</b>
EXPENDITURES					
Current					
General government	378,527	-	-	-	378,527
Public safety	638,114	-	-	-	638,114
Public works	59,531	384,892	-	137,789	582,212
Recreation and cultural	21,071	-	-	137,790	158,861
Other expenditures	214,447	-	-	-	214,447
Capital outlay	-	19,907	-	-	19,907
Debt service					
Principal retirement	-	-	210,000	-	210,000
Interest and fiscal charges	-	-	96,530	-	96,530
<b>TOTAL EXPENDITURES</b>	<b>1,311,690</b>	<b>404,799</b>	<b>306,530</b>	<b>275,579</b>	<b>2,298,598</b>
REVENUES OVER (UNDER) EXPENDITURES	158,965	(384,805)	(275,558)	139,443	(361,955)
OTHER FINANCING SOURCES (USES)					
Transfers in	19,293	544,598	186,323	15,000	765,214
Transfers (out)	(154,665)	-	(19,293)	(409,704)	(583,662)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(135,372)</b>	<b>544,598</b>	<b>167,030</b>	<b>(394,704)</b>	<b>181,552</b>
NET CHANGE IN FUND BALANCES	23,593	159,793	(108,528)	(255,261)	(180,403)
FUND BALANCES, BEGINNING OF YEAR	468,512	-	133,268	1,149,846	1,751,626
FUND BALANCES, END OF YEAR	\$ 492,105	\$ 159,793	\$ 24,740	\$ 894,585	\$ 1,571,223

The accompanying notes are an integral part of these financial statements.

## CITY OF CEDAR SPRINGS

### RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2005

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Net change in fund balances - total governmental funds	\$ (180,403)
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Amounts reported for governmental activities in the statement of activities  
are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay	347,776
Deduct - depreciation expense	(98,080)

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add - principal payments on long-term debt	216,246
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An internal service fund is used by management to charge the costs of certain services to individual governmental funds. The net revenue (expense) of the fund attributable to those funds is reported with governmental activities.

Deduct - net loss from internal service funds	(2,901)
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Special assessments receivable are long-term in nature and are collectable over several years. However, the current receipts are reflected as revenues on the fund statements

Deduct - decrease in special assessment	(39,474)
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Add - decrease in accrued interest	12,817
Add - decrease in the accrual for compensated absences	2,210

Change in net assets of governmental activities	<u>\$ 258,191</u>
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The accompanying notes are an integral part of these financial statements.

# CITY OF CEDAR SPRINGS

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2005

	GENERAL FUND			VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES				
Taxes	\$ 912,443	\$ 912,443	\$ 945,621	\$ 33,178
Licenses and permits	25,000	25,000	23,518	(1,482)
Intergovernmental revenue:				
Federal	52,938	52,938	52,938	-
State	316,300	311,300	309,900	(1,400)
Charges for services	78,370	78,650	81,599	2,949
Fines and forfeits	12,000	12,000	9,493	(2,507)
Interest and rentals	36,600	36,600	34,575	(2,025)
Other	20,410	1,110	13,011	11,901
<b>TOTAL REVENUES</b>	<b>1,454,061</b>	<b>1,430,041</b>	<b>1,470,655</b>	<b>40,614</b>
EXPENDITURES				
Current				
General government	408,895	407,545	378,527	29,018
Public safety	649,808	650,208	638,114	12,094
Public works	72,000	72,750	59,531	13,219
Recreation and cultural	31,300	28,400	21,071	7,329
Other expenditures	226,000	227,083	214,447	12,636
<b>TOTAL EXPENDITURES</b>	<b>1,388,003</b>	<b>1,385,986</b>	<b>1,311,690</b>	<b>74,296</b>
<b>REVENUES OVER(UNDER) EXPENDITURES</b>	<b>66,058</b>	<b>44,055</b>	<b>158,965</b>	<b>114,910</b>
OTHER FINANCING SOURCES (USES)				
Transfers in	26,100	31,500	19,293	(12,207)
Transfers (out)	(154,665)	(154,665)	(154,665)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(128,565)</b>	<b>(123,165)</b>	<b>(135,372)</b>	<b>(12,207)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(62,507)</b>	<b>(79,110)</b>	<b>23,593</b>	<b>102,703</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>468,512</b>	<b>468,512</b>	<b>468,512</b>	<b>-</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 406,005</b>	<b>\$ 389,402</b>	<b>\$ 492,105</b>	<b>\$ 102,703</b>

The accompanying notes are an integral part of these financial statements.



# CITY OF CEDAR SPRINGS

## PROPRIETARY FUNDS STATEMENT OF NET ASSETS

JUNE 30, 2005

	BUSINESS TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUND
ASSETS	SEWER	WATER	TOTAL	
CURRENT ASSETS				
Cash and cash equivalents	\$ 378,928	\$ 333,981	\$ 712,909	\$ 162,954
Accounts receivable	86,787	39,569	126,356	-
Prepaid expenses	1,837	2,816	4,653	1,346
TOTAL CURRENT ASSETS	467,552	376,366	843,918	164,300
RESTRICTED ASSETS				
Investments	200,000	60,000	260,000	-
CAPITAL ASSETS (Net of accumulated depreciation)	8,141,077	841,440	8,982,517	146,199
TOTAL ASSETS	8,808,629	1,277,806	10,086,435	310,499
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	3,038	6,956	9,994	1,393
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS				
Accrued interest	50,655	11,200	61,855	-
Current maturity of bond payable	49,000	25,000	74,000	-
TOTAL CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS	99,655	36,200	135,855	-
LONG-TERM LIABILITIES				
Long-term debt - Net of current portion	3,282,000	675,000	3,957,000	-
TOTAL LIABILITIES	3,384,693	718,156	4,102,849	1,393
Net Assets				
Invested in capital assets, net of related debt	4,810,077	141,440	4,951,517	146,199
Restricted for debt service	100,345	-	100,345	-
Unrestricted	513,514	418,210	931,724	162,907
TOTAL NET ASSETS	\$ 5,423,936	\$ 559,650	\$ 5,983,586	\$ 309,106

The accompanying notes are an integral part of these financial statements.

**CITY OF CEDAR SPRINGS**  
**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	BUSINESS TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUND
	SEWER	WATER	TOTAL	
OPERATING REVENUES				
Charges for services	\$ 742,723	\$ 304,242	\$ 1,046,965	\$ 103,768
OPERATING EXPENSES				
Personal services	67,879	100,688	168,567	20,460
Benefits	20,648	31,898	52,546	14,187
Professional and contractual services	111,253	9,451	120,704	899
Materials and supplies	15,219	30,405	45,624	7,300
Telephone	3,385	-	3,385	-
Utilities	79,885	13,000	92,885	240
Insurance and bonds	10,306	2,000	12,306	3,563
Repairs and maintenance	69,749	32,995	102,744	15,239
Rent	-	3,000	3,000	5,000
Equipment rental	4,760	19,290	24,050	-
Depreciation	126,718	28,005	154,723	41,230
Miscellaneous	2,205	3,525	5,730	981
TOTAL OPERATING EXPENSES	512,007	274,257	786,264	109,099
OPERATING INCOME (LOSS)	230,716	29,985	260,701	(5,331)
NONOPERATING REVENUES (EXPENSES)				
Interest	7,883	6,801	14,684	2,430
Interest and fiscal charges	(151,965)	(16,788)	(168,753)	-
Transfers out	(90,096)	(91,456)	(181,552)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(234,178)	(101,443)	(335,621)	2,430
CHANGE IN NET ASSETS	(3,462)	(71,458)	(74,920)	(2,901)
NET ASSETS, BEGINNING OF YEAR	5,427,398	631,108	6,058,506	312,007
NET ASSETS, END OF YEAR	\$ 5,423,936	\$ 559,650	\$ 5,983,586	\$ 309,106

The accompanying notes are an integral part of these financial statements.

# CITY OF CEDAR SPRINGS

## PROPRIETARY FUNDS STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2005

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
	SEWER	WATER	TOTAL	INTERNAL SERVICE FUND
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 727,052	\$ 293,126	\$ 1,020,178	\$ -
Internal charges	-	-	-	103,768
Cash payments to suppliers for goods and services	(321,914)	(161,985)	(483,899)	(47,287)
Cash payments to employees for services	(67,879)	(100,688)	(168,567)	(20,460)
NET CASH PROVIDED BY OPERATING ACTIVITIES	337,259	30,453	367,712	36,021
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers out	(90,096)	(91,456)	(181,552)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of property, plant and equipment	-	-	-	(103,769)
Principal paid on long-term debt	(46,000)	(25,000)	(71,000)	-
Interest and fiscal charges	(151,965)	(16,788)	(168,753)	-
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(197,965)	(41,788)	(239,753)	(103,769)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	7,883	6,801	14,684	2,430
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	57,081	(95,990)	(38,909)	(65,318)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	321,847	429,971	751,818	228,272
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 378,928	\$ 333,981	\$ 712,909	\$ 162,954
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating income (loss)	\$ 230,716	\$ 29,985	\$ 260,701	\$ (5,331)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	126,718	28,005	154,723	41,230
Changes in operating assets and liabilities which provided (used) cash:				
Accounts receivable	(15,671)	(11,115)	(26,786)	-
Prepaid expenses	(729)	(1,154)	(1,883)	(654)
Accounts payable	(3,775)	2,532	(1,243)	776
Accrued liabilities	-	(17,800)	(17,800)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 337,259	\$ 30,453	\$ 367,712	\$ 36,021

The accompanying notes are an integral part of these financial statements.

**CITY OF CEDAR SPRINGS**

**FIDUCIARY FUNDS  
STATEMENT OF NET ASSETS**

**JUNE 30, 2005**

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash and cash equivalents	<u>\$ 146,656</u>
<u>LIABILITIES</u>	
LIABILITIES	
Accounts payable	<u>\$ 146,656</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF CEDAR SPRINGS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Cedar Springs (the "City") was incorporated June 30, 1954 under the provisions of Act 279, P.A. 1909, as amended (Home Rule City Act). The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: Public safety (police and fire), highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

The accounting policies of the City conform to generally accepted accounting principles. The following is a summary of the more significant policies:

***The Reporting Entity***

As required by generally accepted accounting principles, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations, so data from these units are combined with data of the primary government. The City has no blended component units. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the City.

***Discretely Presented Component Units***

Downtown Development Authority – The members of the governing board of the Downtown Development Authority are appointed by the City Council. The budgets and expenditures of the Downtown Development Authority must be approved by the City Council. The City also has the ability to significantly influence operations of the Downtown Development Authority.

Local Development Finance Authority– The members of the governing board of the Local Development Finance Authority are appointed by the City Council. The budgets and expenditures of the Local Development Finance Authority must be approved by the City Council. The City also has the ability to significantly influence operations of the Local Development Finance Authority.

Complete financial statements for the component units are not separately prepared.

***Government-wide and Fund Financial Statements***

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

**CITY OF CEDAR SPRINGS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

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The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

***Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. After March 1 of each year, the delinquent real property taxes are paid by the City to other units of government and the County is responsible for collecting any outstanding real property taxes as of that date. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service and accrued employee benefit expenditures are recorded only when payment is due.

Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal, interest, and related costs on long-term debt of governmental funds. The City maintains one Debt Service Fund.

**CITY OF CEDAR SPRINGS**  
**NOTES TO FINANCIAL STATEMENTS**  
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The *Capital Projects Fund* is used to account for the financial resources and activities relating to that specific construction project.

The City reports the following major proprietary funds:

*Sewer Fund* – This fund is used to account for the cost of collecting and treating wastewater. Revenues are chiefly from service charges to customers. These revenues are also used to pay principal and interest on revenue bonds and general obligation bonds which were used to finance improvements to the system.

*Water Fund* – The cost of providing water services to City residents is accounted for by this fund. Revenues are primarily from charges to customers for water usage. These revenues are used to pay operating costs and principal and interest on revenue bonds and general obligation bonds which were used to finance improvements to the system.

Additionally, the City reports the following fund types:

*Special Revenue Funds* are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

The *West Side Paving Capital Projects Fund* used to account for the financial resources and activities relating to that specific construction project.

The *Internal Service Fund* is used to record the financing of goods or services by the City to other departments and funds or to other governmental units on a cost reimbursement basis. The City maintains one Internal Service Fund which is the Motor Vehicle Equipment Fund.

The *Permanent Fund* is used to record the activity of legal trusts for which the interest on the corpus provides funds for City cemetery operations.

*Agency Funds* are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges for services. Operating expenses for the enterprise funds include depreciation on capital assets, labor, supplies and contracted services. All revenues and expenses are not meeting this definition are reported as nonoperating revenues and expenses.

**CITY OF CEDAR SPRINGS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

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***Budgets and Budgetary Accounting***

Budgets are adopted for general and special revenue funds on a basis consistent with generally accepted accounting principles (GAAP). The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for all funds except Agency Funds.
5. Adoption and amendments of all budgets used by the City are governed by Public Act 621, which was followed for the year ended June 30, 2005. Expenditures may not exceed appropriations. The appropriations resolutions are based on the projected expenditures budget of the department heads of the City. Any amendment to the original budget must meet the requirements of Public Act 621. Any revisions that alter the total expenditures of any fund must be approved by the City Council.
6. Budgets for expenditures are adopted at the functional level.
7. Budgeted amounts are as originally adopted, or as amended by the City Council.

***Cash and Cash Equivalents***

For purposes of the statement of cash flows, the City considers all highly liquid investments with an original maturity of three months or less to be cash and temporary investments.

***Investments***

Investments are stated at fair value.

***Receivables***

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

***Deferred Revenue***

The City reports deferred revenue when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period.



**CITY OF CEDAR SPRINGS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

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***Restricted Assets***

Certain resources set aside for the repayment of the City's enterprise fund revenue bonds, are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants.

***Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. The amount reported for infrastructure includes only assets added since 2003.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

No interest expense has been incurred or capitalized on capital assets reported in proprietary funds.

Depreciation on capital assets (including infrastructure) of the primary government, as well as the component units, is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Land improvements	25
Buildings	25 - 30
Office furniture and equipment	5 - 20
Vehicles	3 - 10
Public domain infrastructure	50
System infrastructure	30

***Long-term Obligations***

In the government-wide financial statements and proprietary fund types in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. For new bond issuances of governmental funds after the implementation of GASB Statement No. 34 and all proprietary fund bond issues, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**CITY OF CEDAR SPRINGS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

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***Property Taxes***

City property taxes are attached as an enforceable lien on property as of July 1st. Taxes are levied July 1 and are due without penalty on or before September 14. These summer tax bills include the City's own property taxes and taxes billed on behalf of other districts within the City limits. Real property taxes not collected are returned to the County for collection, which advances the City 100% for the delinquent real property taxes. Collection of delinquent personal property taxes remains the responsibility of the City Treasurer.

***Fund Equity***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

***Accrued Vacation and Sick Leave***

Under contracts negotiated with employee groups, individual employees have a vested right to receive payments for unused vacation benefits under formulas and conditions specified in the contracts.

Vacation leave earned as of June 30, 2005, is recorded in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

***Special Assessments***

Special assessments in governmental funds are recorded as revenues when due, not when levied. Estimated annual installments not yet available are reflected as deferred revenue.

***Interfund Transactions***

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers. The amounts recorded as subsidies, advances, or equity contributions are determined by the City.

***Risk Management***

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2005, the City carried commercial insurance to cover all risks of losses. The City has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years. There was no significant change in coverage during the year.

**CITY OF CEDAR SPRINGS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

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**2. DEPOSITS AND INVESTMENTS**

The captions on the government-wide and fund statements relating to cash and cash equivalents and investments are as follows:

Deposits:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Agency Funds</u>	<u>Total</u>
Cash and cash equivalents	\$2,415,824	\$245,152	\$146,656	\$2,807,632
Restricted investments	<u>260,000</u>	<u>-</u>	<u>-</u>	<u>260,000</u>
<b>Total cash and investments</b>	<b><u>\$2,675,824</u></b>	<b><u>\$245,152</u></b>	<b><u>\$146,656</u></b>	<b><u>\$3,067,632</u></b>

The carrying amount of deposits at June 30, 2005, consisted of \$857,632 of cash and cash equivalents and \$2,210,000 of certificates of deposit:

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. State law does not require and the City does not have a policy for deposit custodial credit risk. As of year-end, \$2,776,211 of the City's bank balance of \$2,982,443 was exposed to custodial credit risk because it was uninsured and uncollateralized.

These deposits are in two (2) financial institutions located in Michigan in varying amounts. State policy limits the Treasurer's investing options to financial institutions located in Michigan. All accounts are in the name of the City and a specific fund or common account. Deposits are recorded in City records at fair value.

The City does not hold any investments at June 30, 2005.

***Statutory Authority***

Act 217, PA 1982, authorizes the City to deposit and invest in:

- a. Bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended through 12/31/97.

**CITY OF CEDAR SPRINGS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

**3. CAPITAL ASSETS**

Changes in capital assets for the year ending June 30, 2005, are as follows:

	Balance July 1, 2004	Additions	Dispositions	Balance June 30, 2005
<b>Governmental activities</b>				
Capital assets, not being depreciated:				
Land	\$ 153,614	\$ -	\$ -	\$ 153,614
Capital assets, being depreciated:				
Infrastructure	1,954,348	347,776	-	2,302,124
Buildings and improvements	400,786	-	-	400,786
Vehicles and equipment	783,138	103,769	-	886,907
	3,138,272	451,545	-	3,589,817
Less accumulated depreciation for:				
Infrastructure	48,859	57,553	-	106,412
Buildings	316,403	4,402	-	320,805
Vehicles and equipment	571,890	77,355	-	649,245
Total accumulated depreciation	937,152	139,310	-	1,076,462
Net capital assets, being depreciated	2,201,120	312,235	-	2,513,355
<b>Net governmental activities capital assets</b>	<b>\$2,354,734</b>	<b>\$ 312,235</b>	<b>\$ -</b>	<b>\$ 2,666,969</b>
<b>Business-type activities</b>				
Capital assets being depreciated:				
Water system	\$1,276,689	\$ -	\$ -	\$ 1,276,689
Sewer system	9,269,322	-	-	9,269,322
Accumulated depreciation	(1,408,771)	(154,723)	-	(1,563,494)
<b>Net business-type activities capital assets</b>	<b>\$9,137,240</b>	<b>\$ (154,723)</b>	<b>\$ -</b>	<b>\$ 8,982,517</b>
<b>Component unit</b>				
Land	\$ 35,901	\$ -	\$ -	\$ 35,901

Depreciation expense was charged to functions/programs of the primary government as follows:

<b>Governmental activities:</b>	
General government	\$19,532
Public safety	19,532
Public works	11,719
Streets	31,670
Recreation and cultural	15,627
Internal service fund assets	41,230
Total depreciation expense – governmental activities	\$139,310
<b>Business-type activities:</b>	
Sewer	\$126,718
Water	28,005
Total depreciation expense – business type activities	\$154,723

**CITY OF CEDAR SPRINGS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

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**4. INTERFUND TRANSFERS**

The composition of transfers for the year ended June 30, 2005, is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental activities:		
General Fund	\$ 19,293	\$154,665
Debt Service	186,323	19,293
Main Street Reconstruction	544,598	-
Nonmajor governmental funds	15,000	409,704
Business-type activities:		
Sewer	-	90,096
Water	-	91,456
<b>Total</b>	<u><b>\$765,214</b></u>	<u><b>\$765,214</b></u>

Transfers are used to: (1) move unrestricted revenues collected in the General Fund and other funds to finance various programs accounted for in other funds in accordance with budgetary authorizations and (2) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them.

**5. DEFINED BENEFIT PENSION PLAN**

***Municipal Employees Retirement System of Michigan***

The City participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer defined benefit pension plan providing retirement, death and disability benefits covering full-time City employees. The System is administered by the MERS retirement board. The MERS Retirement Board establishes and amends the benefit provisions of the participants in MERS. A publicly available financial report that includes financial statements and required supplementary information for MERS may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 North Canal Road, Lansing, Michigan 48917 or by calling (800) 767-6377.

The City is required to contribute at an actuarially determined rate; the current rate is 5% of annual covered payroll. The contribution requirements of the City are established and may be amended by the MERS Retirement Board. The contribution requirements of plan members are established and may be amended by the City depending on the MERS contribution program adoption by the City.

For the year ended June 30, 2005 the City's annual pension cost for MERS of \$29,797 was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2002 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included: (a) a rate of return on the investment of present and future assets of 8.0%; (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation; and (c) additional projected salary increases of 0.0% to 4.16% per year, depending on age, attributable to seniority/merit. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment of 20% of the difference between assumed earnings and market value (5 year seniority) to reflect fair value. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2004, the date of the latest actuarial valuation, was 30 years.

**CITY OF CEDAR SPRINGS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

**Three-Year Trend Information**

<u>Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2003	\$29,029	100%	\$ -
2004	24,812	100%	-
2005	29,797	100%	-

**Schedule of Funding Progress**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio Total</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
12/31/02	\$1,654,508	\$1,751,355	\$ 96,847	94%	\$461,176	21%
12/31/03	1,701,253	1,831,688	130,435	93%	483,093	27%
12/31/04	1,769,929	1,956,449	186,520	90%	621,733	30%

**6. DEFERRED COMPENSATION PLAN**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All assets of the plan are held in trust for employees and the related assets and liabilities are not included in this report.

**7. LONG-TERM DEBT**

During fiscal year 2005, the Special Assessment Bonds and General Obligation Limited Tax Street Improvement Bonds were redeemed by the City. The debt schedule is updated to the new amortization schedule. The following is a summary of debt transactions of the City for the year ended June 30, 2005:

	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2005</u>	<u>Due Within One Year</u>
<b>Governmental activities</b>					
General Obligation Debt:					
\$460,000 Special Assessment Bonds and					
\$325,000 General Obligation Limited					
Tax Street Improvement Bonds,					
Series 1997. Bonds due in annual					
installments of \$40,000 to \$60,000					
through October 1, 2003 and \$20,000 to					
\$45,000 through October 1, 2011 due to					
redemption; interest at 5-7%.	\$ 460,000	\$ -	\$ 200,000	\$ 260,000	\$ 35,000

**CITY OF CEDAR SPRINGS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2005</u>	<u>Due Within One Year</u>
<b>Governmental activities (Continued)</b>					
\$1,985,000 General Obligation Improvement Bonds, Series 2003. Bonds due in annual installments of \$5,000 to \$210,000 through April 1, 2023; interest at 2 – 4.4%.	\$1,980,000	\$ -	\$ 10,000	\$1,970,000	\$15,000
\$25,000 Installment Purchase Agreement Bonds due in annual installments of \$2,951 to \$8,853 through August 26, 2006; interest at 4.8%.	16,004	-	6,244	9,760	6,452
Accrued employee benefits	33,334	-	2,210	31,124	-
<b>Total governmental activities</b>	<b>2,489,338</b>	<b>-</b>	<b>218,456</b>	<b>2,270,884</b>	<b>56,452</b>
<b>Business-type activities</b>					
\$3,000,000 Sanitary Sewer System Construction Revenue Bonds, Series 1996A. Bonds due in annual installments of \$28,000 to \$158,000 through March 1, 2037 interest at 4.5%.	2,777,000	-	38,000	2,739,000	40,000
\$650,000 Sanitary Sewer System Revenue Bonds, Series 1996B. Bonds due in annual installments of \$6,000 to \$33,000 through March 1, 2037; interest at 4.5%.	600,000	-	8,000	592,000	9,000
\$750,000 Water Supply System Revenue Bonds, Series 2002. Bonds due in annual installments of \$25,000 to \$60,000 through September 1, 2022; interest at 4.5-4.8%.	725,000	-	25,000	700,000	25,000
<b>Total business-type activities</b>	<b>4,102,000</b>	<b>-</b>	<b>71,000</b>	<b>4,031,000</b>	<b>74,000</b>

**CITY OF CEDAR SPRINGS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2005</u>	<u>Due Within One Year</u>
<b>Component Unit</b>					
\$450,000 General Obligation Limited Tax Streetscape Development Bonds, Series 1997. Bonds due in annual installments of \$25,000 to \$70,000 through April 1, 2006; interest at 4.0-4.7%.	<u>\$ 135,000</u>	<u>\$ -</u>	<u>\$ 65,000</u>	<u>\$ 70,000</u>	<u>\$ 70,000</u>
<b>Total long-term debt – reporting entity</b>	<u><b>\$6,726,338</b></u>	<u><b>\$ -</b></u>	<u><b>\$354,454</b></u>	<u><b>\$6,371,884</b></u>	<u><b>\$200,452</b></u>

The annual requirements, excluding accrued employee benefits, to maturity on the total long-term obligations outstanding at June 30, 2005 are as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Component Unit</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 56,452	\$ 90,662	\$ 74,000	\$ 183,496	\$70,000	\$3,290
2007	83,308	88,362	76,000	180,090	-	-
2008	85,000	85,433	82,000	176,596	-	-
2009	100,000	82,183	86,000	172,816	-	-
2010	110,000	78,283	87,000	168,856	-	-
2011-2015	510,000	329,760	506,000	779,882	-	-
2016-2020	710,000	220,030	632,000	652,444	-	-
2021-2025	585,000	52,440	678,000	494,856	-	-
2026-2030	-	-	640,000	352,176	-	-
2031-2035	-	-	798,000	194,630	-	-
2036-2037	-	-	372,000	25,336	-	-
	<u><b>\$2,239,760</b></u>	<u><b>\$1,027,153</b></u>	<u><b>\$4,031,000</b></u>	<u><b>\$3,381,178</b></u>	<u><b>\$70,000</b></u>	<u><b>\$3,290</b></u>

For the governmental activities, accrued employee benefits are generally liquidated by the general fund.

## 8. LITIGATION

In the normal course of its activities, the City has become a party in various legal actions, including property tax assessment appeals. Management of the City is of the opinion that the outcome of such actions will not have a material effect on the financial position of the City and, therefore, has not reflected loss reserves in the financial statements.



**CITY OF CEDAR SPRINGS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

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**9. CLEO COWLES TRUST**

The Library benefits from a trust established by Cleo Cowles. The Library has no control over the principal of this trust and is entitled only to the income to be used for general operation of the Library Special Revenue Fund. This trust is administered by the City and has a principal balance of \$10,000 (at cost).

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# CITY OF CEDAR SPRINGS

## GENERAL FUND SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2005

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
GENERAL GOVERNMENT				
LEGISLATIVE - CITY COUNCIL				
Salaries and wages	\$ 7,300	\$ 7,300	\$ 7,200	\$ 100
Conventions	5,000	5,000	5,604	(604)
Entertainment	1,300	1,300	50	1,250
Miscellaneous	1,000	1,000	585	415
TOTAL LEGISLATIVE - CITY COUNCIL	14,600	14,600	13,439	1,161
CITY MANAGER				
Salaries and wages	26,300	26,300	27,739	(1,439)
Travel and conferences	7,305	7,411	6,884	527
Transportation	5,000	5,000	4,844	156
Miscellaneous	4,500	4,500	3,741	759
TOTAL CITY MANAGER	43,105	43,211	43,208	3
ELECTIONS				
Salaries and wages	2,000	2,000	1,119	881
Operating supplies	6,200	4,800	894	3,906
Professional services	700	700	875	(175)
Printing and publishing	400	400	425	(25)
TOTAL ELECTIONS	9,300	7,900	3,313	4,587
INDEPENDENT AUDIT / ACCOUNTING				
Auditing services	8,000	8,000	7,292	708
ASSESSOR				
Operating supplies	15,500	15,700	15,576	124
CITY ATTORNEY				
Professional services	43,250	43,250	43,028	222

(Continued)

# CITY OF CEDAR SPRINGS

## GENERAL FUND SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES BUDGET AND ACTUAL (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2005

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
GENERAL GOVERNMENT (CONTINUED)				
DEPUTY CLERK				
Salaries and wages	\$ 35,500	\$ 42,500	\$ 37,900	\$ 4,600
Travel and conferences	800	1,500	1,612	(112)
Printing and publishing	4,200	4,200	4,682	(482)
Miscellaneous	400	400	205	195
TOTAL DEPUTY CLERK	40,900	48,600	44,399	4,201
BOARD OF REVIEW				
Salaries and wages	800	800	563	237
Miscellaneous	400	400	166	234
TOTAL BOARD OF REVIEW	1,200	1,200	729	471
GENERAL ADMINISTRATION				
Salaries and wages	44,500	36,000	35,865	135
Office supplies	12,500	14,874	17,454	(2,580)
Telephone	8,000	8,000	9,484	(1,484)
Travel and conferences	2,200	2,200	1,523	677
Insurance and bonds	37,000	37,000	35,277	1,723
Capital outlay	1,400	-	-	-
Miscellaneous	5,500	5,500	3,913	1,587
TOTAL GENERAL ADMINISTRATION	111,100	103,574	103,516	58
CITY HALL AND GROUNDS				
Salaries and wages	2,500	2,500	2,755	(255)
Utilities	17,500	17,500	15,411	2,089
Repairs and maintenance	11,000	11,000	6,298	4,702
Equipment rental	8,500	9,470	7,036	2,434
Miscellaneous	8,500	8,500	7,979	521
TOTAL CITY HALL AND GROUNDS	48,000	48,970	39,479	9,491

(Continued)

# CITY OF CEDAR SPRINGS

## GENERAL FUND SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES BUDGET AND ACTUAL (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2005

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
GENERAL GOVERNMENT (CONTINUED)				
CEMETERY				
Salaries and wages	\$ 15,400	\$ 15,400	\$ 12,642	\$ 2,758
Operating supplies	500	500	504	(4)
Utilities	200	200	55	145
Professional expenses	3,590	3,590	4,060	(470)
Repairs and maintenance	500	500	115	385
Equipment rental	26,500	26,500	25,122	1,378
TOTAL CEMETERY	46,690	46,690	42,498	4,192
COMMUNITY PROMOTION				
Salaries and wages	2,000	4,100	3,961	139
Professional services	3,750	3,750	750	3,000
Operating supplies	10,500	7,000	6,759	241
Utilities	1,000	500	434	66
Equipment rental	2,000	4,000	4,894	(894)
Miscellaneous	8,000	6,500	5,252	1,248
TOTAL COMMUNITY PROMOTION	27,250	25,850	22,050	3,800
TOTAL GENERAL GOVERNMENT	408,895	407,545	378,527	29,018
PUBLIC SAFETY				
POLICE DEPARTMENT				
Salaries and wages	296,000	285,000	280,211	4,789
Office supplies	18,100	21,000	25,579	(4,579)
Operating supplies	3,000	3,000	4,333	(1,333)
Clothing and laundry	5,000	5,000	2,537	2,463
Repairs and maintenance	12,500	17,500	25,334	(7,834)
Professional services	18,000	18,000	13,546	4,454
Telephone	1,500	1,500	1,079	421
Education and training	2,500	2,500	1,025	1,475
Radio and dispatch	45,000	45,000	42,478	2,522
Gasoline and oil	8,400	11,400	11,747	(347)
Capital outlay	19,200	19,200	9,169	10,031
Miscellaneous	3,100	3,600	4,179	(579)
TOTAL POLICE DEPARTMENT	432,300	432,700	421,217	11,483

(Continued)

# CITY OF CEDAR SPRINGS

## GENERAL FUND SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES BUDGET AND ACTUAL (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2005

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
PUBLIC SAFETY (CONTINUED)				
FIRE DEPARTMENT				
Salaries and wages	\$ 51,170	\$ 51,170	\$ 51,311	\$ (141)
Office supplies	1,800	1,800	1,959	(159)
Operating supplies	2,000	2,000	2,226	(226)
Clothing and laundry	2,000	2,000	2,369	(369)
Repairs and maintenance	4,700	4,700	3,389	1,311
Professional services	6,700	6,700	4,386	2,314
Telephone	1,300	1,300	1,462	(162)
Utilities	4,400	4,400	4,614	(214)
Education and training	2,000	2,000	1,080	920
Hydrant rental	10,000	10,000	10,000	-
Capital outlay	70,938	70,938	73,998	(3,060)
Miscellaneous	4,200	4,200	4,646	(446)
TOTAL FIRE DEPARTMENT	161,208	161,208	161,440	(232)
BUILDING INSPECTION				
Salaries and wages	5,300	5,300	5,479	(179)
Professional services	22,500	22,500	21,166	1,334
TOTAL BUILDING INSPECTION	27,800	27,800	26,645	1,155
PLANNING COMMISSION				
Professional and contractual services	24,000	24,000	26,578	(2,578)
Printing and publishing	3,500	3,500	1,437	2,063
Miscellaneous	1,000	1,000	797	203
TOTAL PLANNING COMMISSION	28,500	28,500	28,812	(312)
TOTAL PUBLIC SAFETY	649,808	650,208	638,114	12,094
PUBLIC WORKS				
STREET LIGHTING				
Electric	30,000	31,000	30,282	718
PUBLIC WORKS				
Salaries and wages	10,000	10,000	4,157	5,843
Professional services	15,000	14,250	13,948	302
Electric	4,000	4,000	885	3,115
Equipment rental	12,000	12,000	9,607	2,393
Miscellaneous	1,000	1,500	652	848
TOTAL PUBLIC WORKS	42,000	41,750	29,249	12,501
TOTAL PUBLIC WORKS	72,000	72,750	59,531	13,219

(Continued)

# CITY OF CEDAR SPRINGS

## GENERAL FUND SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES BUDGET AND ACTUAL (CONCLUDED)

FOR THE YEAR ENDED JUNE 30, 2005

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
RECREATION AND CULTURAL				
PARKS AND RECREATION				
Salaries and wages	\$ 7,800	\$ 7,800	\$ 5,575	\$ 2,225
Utilities	1,000	1,000	-	1,000
Repairs and maintenance	12,500	9,600	6,782	2,818
Miscellaneous	10,000	10,000	8,714	1,286
TOTAL RECREATION AND CULTURAL	31,300	28,400	21,071	7,329
OTHER EXPENDITURES				
Employee benefits	143,000	141,950	133,001	8,949
Information technology	22,000	19,133	14,805	4,328
Pension	21,000	26,000	24,541	1,459
Social security	40,000	40,000	42,100	(2,100)
TOTAL OTHER EXPENDITURES	226,000	227,083	214,447	12,636
TOTAL EXPENDITURES	1,388,003	1,385,986	1,311,690	74,296
OTHER FINANCING (USES)				
Transfers out	154,665	154,665	154,665	-
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 1,542,668	\$ 1,540,651	\$ 1,466,355	\$ 74,296

(Concluded)

**CITY OF CEDAR SPRINGS**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**

**JUNE 30, 2005**

<u>ASSETS</u>	<u>SPECIAL REVENUE</u>					<u>FEDERAL COMMUNITY DEVELOPMENT</u>
	<u>MAJOR STREET</u>	<u>LOCAL STREET</u>	<u>REFUSE PICKUP &amp; DISPOSAL</u>	<u>LIBRARY</u>	<u>SIDEWALK</u>	
Cash and cash equivalents	\$ 256,246	\$ 283,993	\$ 18,406	\$ 53,172	\$ 9,070	\$ 88,646
Accounts receivable	-	-	-	4,440	12,329	748
Special assessments recievable	-	-	-	-	3,893	-
Prepaid items	735	612	-	2,636	-	-
Due from other governmental units	10,710	4,130	-	-	-	-
<u>TOTAL ASSETS</u>	<u>\$ 267,691</u>	<u>\$ 288,735</u>	<u>\$ 18,406</u>	<u>\$ 60,248</u>	<u>\$ 25,292</u>	<u>\$ 89,394</u>
 <u>LIABILITIES AND FUND BALANCES</u>						
LIABILITIES						
Accounts payable	\$ 1,075	\$ 806	\$ 2,945	\$ 2,946	\$ -	\$ -
Deferred revenue	-	-	-	-	16,222	748
<u>TOTAL LIABILITIES</u>	<u>1,075</u>	<u>806</u>	<u>2,945</u>	<u>2,946</u>	<u>16,222</u>	<u>748</u>
FUND BALANCES						
Unreserved - undesignated	266,616	287,929	15,461	57,302	9,070	88,646
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$ 267,691</u>	<u>\$ 288,735</u>	<u>\$ 18,406</u>	<u>\$ 60,248</u>	<u>\$ 25,292</u>	<u>\$ 89,394</u>

<u>CAPITAL PROJECT</u>		<u>PERMANENT</u>	
<u>WEST SIDE PAVING</u>	<u>CEMETERY TRUST</u>		<u>TOTAL</u>
\$ 25,111	\$ 144,450	\$	879,094
-	-		17,517
-	-		3,893
-	-		3,983
-	-		14,840
<u>\$ 25,111</u>	<u>\$ 144,450</u>	<u>\$</u>	<u>919,327</u>
\$ -	\$ -	\$	7,772
-	-		16,970
-	-		24,742
<u>25,111</u>	<u>144,450</u>		<u>894,585</u>
<u>\$ 25,111</u>	<u>\$ 144,450</u>	<u>\$</u>	<u>919,327</u>



**CITY OF CEDAR SPRINGS**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	SPECIAL REVENUE					FEDERAL COMMUNITY DEVELOPMENT
	MAJOR STREET	LOCAL STREET	REFUSE PICKUP & DISPOSAL	LIBRARY	SIDEWALK	
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ 56,848	\$ -	\$ -
Intergovernmental Revenue:						
State	142,251	54,840	-	6,758	-	-
Local	-	-	-	35,820	-	-
Special assessments	-	-	-	-	5,099	-
Charges for services	-	-	-	-	-	-
Other	-	-	38,586	47,033	-	-
Interest	3,415	4,681	207	1,075	231	1,838
<b>TOTAL REVENUES</b>	<b>145,666</b>	<b>59,521</b>	<b>38,793</b>	<b>147,534</b>	<b>5,330</b>	<b>1,838</b>
EXPENDITURES						
Current						
Public works	69,550	41,477	23,332	-	-	-
Recreation and cultural	-	-	-	137,790	-	-
<b>TOTAL EXPENDITURES</b>	<b>69,550</b>	<b>41,477</b>	<b>23,332</b>	<b>137,790</b>	<b>-</b>	<b>-</b>
REVENUES OVER (UNDER) EXPENDITURES	76,116	18,044	15,461	9,744	5,330	1,838
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers (out)	-	(21,965)	-	-	(12,600)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>(21,965)</b>	<b>-</b>	<b>-</b>	<b>(12,600)</b>	<b>-</b>
NET CHANGE IN FUND BALANCES	76,116	(3,921)	15,461	9,744	(7,270)	1,838
FUND BALANCES, BEGINNING OF YEAR	190,500	291,850	-	47,558	16,340	86,808
FUND BALANCES, END OF YEAR	<u>\$ 266,616</u>	<u>\$ 287,929</u>	<u>\$ 15,461</u>	<u>\$ 57,302</u>	<u>\$ 9,070</u>	<u>\$ 88,646</u>

<u>CAPITAL PROJECTS</u>		<u>PERMANENT</u>	
<u>WEST SIDE PAVING</u>	<u>CEMETERY TRUST</u>		<u>TOTAL</u>
\$ -	\$ -		\$ 56,848
-	-		203,849
-	-		35,820
-	-		5,099
-	13,274		13,274
-	1		85,620
<u>629</u>	<u>2,436</u>		<u>14,512</u>
<u>629</u>	<u>15,711</u>		<u>415,022</u>
994	2,436		137,789
<u>-</u>	<u>-</u>		<u>137,790</u>
994	2,436		275,579
<u>(365)</u>	<u>13,275</u>		<u>139,443</u>
15,000	-		15,000
<u>(375,139)</u>	<u>-</u>		<u>(409,704)</u>
<u>(360,139)</u>	<u>-</u>		<u>(394,704)</u>
(360,504)	13,275		(255,261)
<u>385,615</u>	<u>131,175</u>		<u>1,149,846</u>
<u>\$ 25,111</u>	<u>\$ 144,450</u>		<u>\$ 894,585</u>

**CITY OF CEDAR SPRINGS**

**MAJOR STREET FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2005**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES				
Intergovernmental revenue:				
State	\$ 125,000	\$ 150,000	\$ 142,251	\$ (7,749)
Interest	1,000	2,000	3,415	1,415
TOTAL REVENUES	126,000	152,000	145,666	(6,334)
EXPENDITURES				
Highways and Streets:				
Routine maintenance	28,400	28,400	20,808	7,592
Traffic service	6,500	10,600	9,054	1,546
Winter maintenance	26,900	26,900	22,352	4,548
Construction	12,000	12,000	-	12,000
Administrative	21,400	21,400	17,336	4,064
TOTAL EXPENDITURES	95,200	99,300	69,550	29,750
REVENUES OVER EXPENDITURES	30,800	52,700	76,116	23,416
OTHER FINANCING SOURCES (USES)				
Transfers (out)	(53,275)	(53,275)	-	53,275
NET CHANGE IN FUND BALANCE	(22,475)	(575)	76,116	76,691
FUND BALANCE, BEGINNING OF YEAR	190,500	190,500	190,500	-
FUND BALANCE, END OF YEAR	\$ 168,025	\$ 189,925	\$ 266,616	\$ 76,691

# CITY OF CEDAR SPRINGS

## LOCAL STREET FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2005

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES				
Intergovernmental revenue:				
State	\$ 78,000	\$ 58,000	\$ 54,840	\$ (3,160)
Interest	2,500	2,500	4,681	2,181
TOTAL REVENUES	80,500	60,500	59,521	(979)
EXPENDITURES				
Highways and Streets:				
Construction	25,900	10,400	-	10,400
Routine maintenance	22,500	23,500	16,202	7,298
Traffic service	4,300	4,300	2,222	2,078
Winter maintenance	14,800	14,800	13,008	1,792
Administrative	14,000	15,600	10,045	5,555
TOTAL EXPENDITURES	81,500	68,600	41,477	27,123
REVENUES OVER(UNDER) EXPENDITURES	(1,000)	(8,100)	18,044	26,144
OTHER FINANCING SOURCES				
Transfers in	-	36,000	-	(36,000)
Transfers out	(21,965)	(21,965)	(21,965)	-
TOTAL OTHER FINANCING SOURCES	(21,965)	14,035	(21,965)	(36,000)
NET CHANGE IN FUND BALANCE	(22,965)	5,935	(3,921)	(9,856)
FUND BALANCE, BEGINNING OF YEAR	291,850	291,850	291,850	-
FUND BALANCE, END OF YEAR	\$ 268,885	\$ 297,785	\$ 287,929	\$ (9,856)

**CITY OF CEDAR SPRINGS**  
**REFUSE PICKUP & DISPOSAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES				
Miscellaneous revenue	\$ 37,100	\$ 37,140	\$ 38,586	\$ 1,446
Interest	-	160	207	47
TOTAL REVENUES	<u>37,100</u>	<u>37,300</u>	<u>38,793</u>	<u>1,493</u>
EXPENDITURES				
Public works	37,100	37,300	23,332	13,968
Winter maintenance	-	14,800	-	14,800
TOTAL EXPENDITURES	<u>37,100</u>	<u>52,100</u>	<u>23,332</u>	<u>28,768</u>
REVENUES OVER(UNDER) EXPENDITURES	-	(14,800)	15,461	30,261
OTHER FINANCING SOURCES				
Transfers in	-	36,000	-	(36,000)
NET CHANGE IN FUND BALANCE	-	21,200	15,461	(5,739)
FUND BALANCE, BEGINNING OF YEAR	-	-	-	-
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ 21,200</u>	<u>\$ 15,461</u>	<u>\$ (5,739)</u>

# CITY OF CEDAR SPRINGS

## LIBRARY FUND

### SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2005

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES				
Intergovernmental revenue:				
State	\$ 6,000	\$ 6,750	\$ 6,758	\$ 8
Local	30,000	35,000	35,820	820
Property taxes	55,880	55,880	56,848	968
Fines	17,100	17,100	17,321	221
Other	8,100	17,840	29,712	11,872
Interest	300	330	1,075	745
TOTAL REVENUES	117,380	132,900	147,534	14,634
EXPENDITURES				
Recreational and Cultural:				
Salaries and wages	61,000	61,750	63,599	(1,849)
Operating supplies	22,600	23,600	25,352	(1,752)
Telephone	1,100	850	547	303
Utilities	3,700	3,300	3,593	(293)
Repairs and maintenance	17,200	27,150	25,958	1,192
Rent	1,600	1,600	1,122	478
Insurance and bonds	5,800	6,300	6,303	(3)
Membership and dues	3,200	3,050	5,091	(2,041)
Professional service	7,000	5,000	3,622	1,378
Miscellaneous	4,400	1,000	2,603	(1,603)
TOTAL EXPENDITURES	127,600	133,600	137,790	(4,190)
NET CHANGE IN FUND BALANCE	(10,220)	(700)	9,744	10,444
FUND BALANCE, BEGINNING OF YEAR	47,558	47,558	47,558	-
FUND BALANCE, END OF YEAR	\$ 37,338	\$ 46,858	\$ 57,302	\$ 10,444

# CITY OF CEDAR SPRINGS

## SIDEWALK FUND

### SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2005

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES				
Special assessments	\$ -	\$ 4,410	\$ 5,099	\$ 689
Interest	-	50	231	181
TOTAL REVENUES	-	4,460	5,330	870
TOTAL EXPENDITURES	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	-	4,460	5,330	870
OTHER FINANCING SOURCES				
Transfers out	(12,800)	(12,800)	(12,600)	200
NET CHANGE IN FUND BALANCES	(12,800)	(8,340)	(7,270)	1,070
FUND BALANCE, BEGINNING OF YEAR	16,340	16,340	16,340	-
FUND BALANCE, END OF YEAR	\$ 3,540	\$ 8,000	\$ 9,070	\$ 1,070

# CITY OF CEDAR SPRINGS

## FEDERAL COMMUNITY DEVELOPMENT SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2005

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES				
Interest	\$ 2,800	\$ 1,700	\$ 1,838	\$ 138
TOTAL EXPENDITURES	-	-	-	-
NET CHANGE IN FUND BALANCES	2,800	1,700	1,838	138
FUND BALANCE, BEGINNING OF YEAR	86,808	86,808	86,808	-
FUND BALANCE, END OF YEAR	\$ 89,608	\$ 88,508	\$ 88,646	\$ 138



**CITY OF CEDAR SPRINGS**  
**COMBINING BALANCE SHEET**  
**DOWNTOWN DEVELOPMENT AUTHORITY**  
**JUNE 30, 2005**

	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 23,412	\$ -	\$ 23,412
Land	35,901	-	35,901
<u>TOTAL ASSETS</u>	<u>\$ 59,313</u>	<u>\$ -</u>	<u>\$ 59,313</u>
<u>LIABILITIES AND FUND EQUITY</u>			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Fund balance			
Unreserved - undesignated	59,313	-	59,313
<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>\$ 59,313</u>	<u>\$ -</u>	<u>\$ 59,313</u>

# CITY OF CEDAR SPRINGS

## RECONCILIATION OF THE FUND BALANCES ON THE BALANCE SHEET TO THE NET ASSETS ON THE STATEMENT OF NET ASSETS

### DOWNTOWN DEVELOPMENT AUTHORITY

JUNE 30, 2005

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Fund balance - Downtown Development Authority	\$ 59,313
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Deduct- bonds payable	(70,000)
Deduct- accrued interest	<u>(823)</u>
Net assets of Downtown Development Authority, end of year	<u><u>\$ (11,510)</u></u>

**CITY OF CEDAR SPRINGS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**DOWNTOWN DEVELOPMENT AUTHORITY**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>	<u>TOTAL</u>
REVENUES			
Taxes	\$ 113,202	\$ -	\$ 113,202
Contributions from other governments			
Interest	<u>829</u>	<u>-</u>	<u>\$ 829</u>
TOTAL REVENUES	<u>114,031</u>	<u>-</u>	<u>114,031</u>
EXPENDITURES			
Public works	21,023	15,222	36,245
Debt service:			
Principal retirement	65,000	-	65,000
Interest and fiscal charges	<u>6,530</u>	<u>-</u>	<u>6,530</u>
TOTAL EXPENDITURES	<u>92,553</u>	<u>15,222</u>	<u>107,775</u>
NET CHANGE IN FUND BALANCES	21,478	(15,222)	6,256
FUND BALANCES , BEGINNING OF YEAR	<u>37,835</u>	<u>15,222</u>	<u>53,057</u>
FUND BALANCES, END OF YEAR	<u><u>\$ 59,313</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 59,313</u></u>

# CITY OF CEDAR SPRINGS

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

### DOWNTOWN DEVELOPMENT AUTHORITY

FOR THE YEAR ENDED JUNE 30, 2005

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Net change in fund balances - total component units	\$ 6,256
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Amounts reported for component unit activities in the statement of activities  
are different because:

Bond proceeds provide current financial resources to component unit funds in the period  
issued, but issuing bonds increases long-term liabilities in the statement of net assets.  
Repayment of bond principal is an expenditure in the component unit funds, but the  
repayment reduces long-term liabilities in the statement of net assets.

Add - principal payments on long-term debt	65,000
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Some expenses reported in the statement of activities do not require the use of current  
financial resources and therefore are not reported as expenditures in the funds.

Add - decrease in accrued interest	<u>747</u>
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Change in net assets of component unit activities	<u><u>\$ 72,003</u></u>
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**CITY OF CEDAR SPRINGS**  
**BALANCE SHEET/STATEMENT OF NET ASSETS**  
**LOCAL DEVELOPMENT FINANCE AUTHORITY**

**JUNE 30, 2005**

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	<u>ASSETS</u>	LOCAL DEVELOPMENT FINANCE AUTHORITY
Cash and cash equivalents		\$ 221,740
		<u>221,740</u>
	<u>LIABILITIES AND FUND BALANCES</u>	
LIABILITIES		
Accounts payable		\$ -
Fund balance/Net Assets		
Unreserved - undesignated/Unrestricted		<u>221,740</u>
	<u>TOTAL LIABILITIES AND FUND BALANCES/NET ASSETS</u>	<u>\$ 221,740</u>

**CITY OF CEDAR SPRINGS**

**STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES**

**LOCAL DEVELOPMENT FINANCE AUTHORITY**

**FOR THE YEAR ENDED JUNE 30, 2005**

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	LOCAL DEVELOPMENT FINANCE AUTHORITY
REVENUES	
Taxes	\$ 30,732
Interest	<u>3,842</u>
TOTAL REVENUES	<u>34,574</u>
EXPENDITURES/EXPENSES	
Public works	<u>31,104</u>
CHANGE IN NET ASSETS	3,470
FUND BALANCES/NET ASSETS, BEGINNING OF YEAR	<u>218,270</u>
FUND BALANCES/NET ASSETS, END OF YEAR	<u><u>\$ 221,740</u></u>

**CITY OF CEDAR SPRINGS**

**SCHEDULE OF INDEBTEDNESS**

**JUNE 30, 2005**

	DATE OF ISSUE	AMOUNT OF ISSUE	INTEREST RATE	DATE OF MATURITY	PRINCIPAL	INTEREST	AMOUNT OF TOTAL OUTSTANDING
<b>GOVERNMENTAL ACTIVITIES</b>							
<b>GENERAL OBLIGATION DEBT</b>							
1997 Special Assessment and General Obligation	05/22/96	\$ 785,000	5 - 7%	10/01/05	\$ 35,000	\$ 13,000	\$ 48,000
Limited Tax Street Improvement Bonds				10/01/06	35,000	11,250	46,250
				10/01/07	35,000	9,500	44,500
				10/01/08	45,000	7,750	52,750
				10/01/09	45,000	5,500	50,500
				10/01/10	45,000	3,250	48,250
				10/01/11	20,000	1,000	21,000
					<u>260,000</u>	<u>51,250</u>	<u>311,250</u>
2003 General Obligation Improvement Bonds	04/17/03	1,985,000	2 - 4.4%	04/04/06	15,000	77,395	92,395
				04/01/07	45,000	77,058	122,058
				04/01/08	50,000	75,933	125,933
				04/01/09	55,000	74,433	129,433
				04/01/10	65,000	72,783	137,783
				04/01/11	70,000	70,670	140,670
				04/01/12	80,000	68,290	148,290
				04/01/13	85,000	65,490	150,490
				04/01/14	100,000	62,430	162,430
				04/01/15	110,000	58,630	168,630
				04/01/16	120,000	54,450	174,450
				04/01/17	130,000	49,890	179,890
				04/01/18	140,000	44,560	184,560
				04/01/19	155,000	38,820	193,820
				04/01/20	165,000	32,310	197,310
				04/01/21	180,000	25,380	205,380
				04/01/22	195,000	17,820	212,820
				04/01/23	210,000	9,240	219,240
					<u>1,970,000</u>	<u>975,580</u>	<u>2,945,580</u>
Installment Purchase Agreement	8/26/02	25,000	4.8%	08/26/05	6,452	267	6,719
				08/26/06	3,308	54	3,362
					<u>9,760</u>	<u>321</u>	<u>10,081</u>
Accumulated Employee Benefits					31,124	-	31,124
<b>TOTAL GOVERNMENTAL ACTIVITIES DEBT</b>					<u>2,270,884</u>	<u>1,027,151</u>	<u>3,298,035</u>
<b>BUSINESS-TYPE ACTIVITIES</b>							
1996A Sanitary Sewer System Revenue Bonds	03/04/97	\$ 3,000,000	4.50%	03/01/06	40,000	123,210	163,210
				03/01/07	42,000	121,410	163,410
				03/01/08	43,000	119,520	162,520
				03/01/09	46,000	117,586	163,586
				03/01/10	47,000	115,516	162,516
				03/01/11	50,000	113,400	163,400
				03/01/12	52,000	111,150	163,150
				03/01/13	54,000	108,810	162,810
				03/01/14	57,000	106,380	163,380
				03/01/15	59,000	103,816	162,816
				03/01/16	62,000	101,160	163,160
				03/01/17	65,000	98,370	163,370
				03/01/18	67,000	95,446	162,446
				03/01/19	71,000	92,430	163,430
				03/01/20	74,000	89,236	163,236
				03/01/21	77,000	85,906	162,906
				03/01/22	81,000	82,440	163,440
				03/01/23	84,000	78,796	162,796
				03/01/24	88,000	75,016	163,016
				03/01/25	92,000	71,056	163,056
				03/01/26	96,000	66,916	162,916
				03/01/27	100,000	62,596	162,596
				03/01/28	105,000	58,096	163,096
				03/01/29	110,000	53,370	163,370
				03/01/30	114,000	48,420	162,420
				03/01/31	120,000	43,290	163,290
				03/01/32	125,000	37,890	162,890
				03/01/33	131,000	32,266	163,266
				03/01/34	137,000	26,370	163,370
				03/01/35	143,000	20,206	163,206
				03/01/36	149,000	13,770	162,770
				03/01/37	158,000	7,066	165,066
					<u>2,739,000</u>	<u>2,480,910</u>	<u>5,219,910</u>

**CITY OF CEDAR SPRINGS**  
**SCHEDULE OF INDEBTEDNESS (CONTINUED)**

JUNE 30, 2005

	DATE OF ISSUE	AMOUNT OF ISSUE	INTEREST RATE	DATE OF MATURITY	PRINCIPAL	INTEREST	AMOUNT OF TOTAL OUTSTANDING				
BUSINESS-TYPE ACTIVITIES (CONTINUED)											
1996B Sanitary Sewer System Revenue Bonds	03/04/97	\$ 650,000	4.50%	03/01/06	\$ 9,000	\$ 26,686	\$ 35,686				
				03/01/07	9,000	26,280	35,280				
				03/01/08	9,000	25,876	34,876				
				03/01/09	10,000	25,470	35,470				
				03/01/10	10,000	25,020	35,020				
				03/01/11	11,000	24,570	35,570				
				03/01/12	11,000	24,076	35,076				
				03/01/13	12,000	23,580	35,580				
				03/01/14	12,000	23,040	35,040				
				03/01/15	13,000	22,500	35,500				
				03/01/16	13,000	21,916	34,916				
				03/01/17	14,000	21,330	35,330				
				03/01/18	15,000	20,700	35,700				
				03/01/19	15,000	20,026	35,026				
				03/01/20	16,000	19,350	35,350				
				03/01/21	17,000	18,630	35,630				
				03/01/22	17,000	17,866	34,866				
				03/01/23	18,000	17,100	35,100				
				03/01/24	19,000	16,290	35,290				
				03/01/25	20,000	15,436	35,436				
				03/01/26	21,000	14,536	35,536				
				03/01/27	22,000	13,590	35,590				
				03/01/28	23,000	12,600	35,600				
				03/01/29	24,000	11,566	35,566				
				03/01/30	25,000	10,486	35,486				
				03/01/31	26,000	9,360	35,360				
				03/01/32	27,000	8,190	35,190				
				03/01/33	28,000	6,976	34,976				
				03/01/34	30,000	5,716	35,716				
				03/01/35	31,000	4,366	35,366				
				03/01/36	32,000	2,970	34,970				
				03/01/37	33,000	1,530	34,530				
									592,000	537,628	1,129,628
				2002 Water Supply System Revenue Bonds	09/01/02	\$ 750,000	4.5 - 4.8%	09/01/05	25,000	33,600	58,600
								09/01/06	25,000	32,400	57,400
								09/01/07	30,000	31,200	61,200
								09/01/08	30,000	29,760	59,760
09/01/09	30,000	28,320	58,320								
09/01/10	30,000	26,880	56,880								
09/01/11	35,000	25,440	60,440								
09/01/12	35,000	23,760	58,760								
09/01/13	35,000	22,080	57,080								
09/01/14	40,000	20,400	60,400								
09/01/15	40,000	18,480	58,480								
09/01/16	40,000	16,560	56,560								
09/01/17	45,000	14,640	59,640								
09/01/18	45,000	12,480	57,480								
09/01/19	50,000	10,320	60,320								
09/01/20	50,000	7,920	57,920								
09/01/21	55,000	5,520	60,520								
09/01/22	60,000	2,880	62,880								
					700,000	362,640	1,062,640				
TOTAL BUSINESS-TYPE ACTIVITIES					4,031,000	3,381,178	7,412,178				
TOTAL LONG-TERM DEBT-PRIMARY GOVERNMENT					6,301,884	4,408,329	10,710,213				
COMPONENT UNIT DEBT											
General Obligation Limited Tax Streetscape Development Bonds, Series 1997	08/28/97	450,000	3.8 - 4.7%	04/01/06	70,000	3,290	73,290				
					70,000	3,290	73,290				
TOTAL LONG-TERM DEBT - REPORTING ENTITY					\$ 6,371,884	\$ 4,411,619	\$ 10,783,503				

(Concluded)





# REHMANN ROBSON

*Certified Public Accountants*

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

July 22, 2005

Honorable Mayor and  
Members of the City Council  
Cedar Springs, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Cedar Springs, Michigan, as of and for the year ended June 30, 2005 which collectively comprise the City's basic financial statements as listed in the table of contents, and have issued our report thereon dated July 22, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Cedar Springs, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Cedar Springs, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the City Council, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.